3:Kemeny G-5 (1945-48)195 EC1 Hungary EC1

of Hungarian official prices, calculated in sterling at official rates, with quotations in Great Britain.

	Hungarian Price	*British Price*	*Difference in percentage*
	Mid-1948		
	£ s. d.	£ s. d.	
Mild steel sections per ton	32 10 0	19 10 0	66
Mild steel sheets 28/m per ton	44 10 0	29 10 0	50
Gas pipes 1 in. per meter	3 2	1 6	111
Vacuum "B B" oil per kg.	3 5	1 3	173

The considerable extension of aluminium production provides another example of the uneconomic use of resources. Though domestic supplies of bauxite are ample, the cost of processing aluminium is, in the absence of cheap hydro-electric power, extremely high. It is indicative of the high cost of production that the price generally charged for aluminium in Hungary was three times that in Great Britain, while even a special reduced price was double.

Steel production is to be almost trebled under the revised second Plan. The erection of new iron and steel works on the Danube is in progress. The bituminous coal mined in Hungary was, until recently, not suitable for producing foundry coke. A new process is believed to achieve technically satisfactory results. But according to a calculation of cost drawn up in the Ministry of Industry, it is much too expensive. For iron-ore supplies, the new works will be entirely dependent on Russia, at least so long as deliveries from Yugoslavia are out of the question. Ores mined in the Krivoi Rog district will be shipped via the Black Sea and the Danube. Thus the Hungarian iron and steel industry will be linked by double ties to Russian economy, the latter providing the raw materials as well as the market for the products. Under this aspect the new iron works on the Danube appear to be an extended arm of Russian heavy industry. This expansion was conceived in the spirit of a war effort as opposed to economic planning. Economic considerations would not have allowed such a disregard of cost.

PLANNING AND THE SCALE OF NATIONALIZATION

Experience in Hungary has not contributed to settle the controversial issue whether effective planning could be based on a system of mixed economy or only on one of full-scale nationalization of industry. During the short-lived first phase of the Three-year Plan the impulse it imparted to production and investment was, no doubt, successful. The evidence did not substantiate Communist charges of sabotage during this period,

In the first year the budgeted sum was exceeded by 15 percent, but no information is available concerning the final sum spent. In the Final Report, no separate figures are given for mining which is lumped together with heavy industry. It was claimed that seven new pits had been opened; progress had been made with mechanization and two flotation plants had been built to utilize low-grade ores.[21]

Production in the first year increased considerably and, except for oil, exceeded the aims set, especially in manganese ore. The output of coal reached 9.9 million tons, iron ore 258,000 tons, bauxite 400,000 tons, and oil 496,000 tons. For 1949 only percentages are available. Translated into quantities, production appears to have reached 11.8 million tons in coal, 339,000 tons in iron ore, 561,000 tons in bauxite, and 503,000 tons in oil. Compared with the targets set for 1949-50, the output of iron ore and bauxite were considerably higher than originally planned, the output of coal was slightly higher, while oil was 24 percent less.[22]

According to the text of the plan, metallurgy ranked second only to mining in importance. The aim was to raise the production of pig iron from 258,000 tons in 1946-47 to 360,000 tons in the first year and to 420,000 tons in the third; steel production from 510,000 tons to 660,000 tons, and 800,000 tons respectively. Production in 1938 amounted to 335,000 tons in pig iron and 647,000 tons in steel and reached 417,000 and 776,000 tons respectively in 1943. Besides increasing output, efficiency of production was to be improved through the reconditioning and modernizing of the plants, undertaking the production of ferromanganese and resuming the production of ferrosilica.[23]

Investments in metallurgy were to total 26 million forints in the first year and 58 million forints in three years. In addition, 20 million forints were to be invested in aluminum metallurgy and 166 million in the processing of bauxite.[24]

It was aimed to raise aluminum production from 3,700 tons in 1946-47 to 5,000 tons in the first year and 12,000 tons in the

21. One in Ozd for iron ore and one in Diosgyoer for manganese.

22. For volume of aggregate output see Tables IV, Va and Vb in the Appendix.

23. Before the war Hungary exported low-grade manganese ore and imported ferromanganese. The ferrosilica plant (Zagyvarona) was destroyed during the war.

24. Investments in metallurgy are scattered under various sections. Iron metallurgy is a section by itself, aluminum metallurgy appears under the iron and metal industry, the processing of bauxite into aluminum oxide under the chemical industry.

third. Prewar production was only 1,500 tons, but by 1943 it had increased to 7,900 tons. To achieve the increase in production, the two plants producing aluminum oxide were to be enlarged and a third large plant constructed, the largest single project of the Three Year Plan, the cost of which was estimated at 150 million forints.[25]

Reports on the plan claimed that the furnace for the production of ferromanganese was completed in the first year and that the ferrosilica plant had been reconstructed with a capacity of 2,200 tons.[26] The two aluminum oxide plants had been enlarged but were not used to full capacity. No reference was made to the third large aluminum oxide plant planned.[27]

Production developed, on the whole, as planned, in spite of minor setbacks in the first year when production of pig iron was 343,000 tons, slightly less than planned. But steel was above the goal with 719,000 tons. In 1949 on the basis of the percentages given, production appears to have been much higher than originally planned for 1949-1950. Output of pig iron was reported at 428,000 tons, of steel at 890,000 tons, and of aluminum at 14,000 tons.

Power

Power, a continuing bottleneck, became an even more serious one after the war, due to war damage and the dismantling for reparations of some of the most efficient modern power plants and of a large 128,000 KW plant constructed but not completed during the war. At the cost of 200 million forints, a number of less efficient plants were to be reconditioned, the dismantled plants rebuilt, including part of the 128,000 KW plant, and the output of power was to be increased in three years to 2.0 billion KW hours, 43 percent above the 1938 output of 1.4 billion KW hours. Here again reference to 1938 gives a misleading picture because output reached 2.1 billion KW hours in 1943.

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25. Construction of the plant was started in Almasfuezitoe in 1941, but the work had not been completed by 1944, and there was also war damage through Allied bombing. Originally earmarked for dismantling for reparations, the plant was finally left in Hungary, became Russian property under the Potsdam Agreement and as a Soviet asset was turned over to the Soviet-Hungarian Aluminum and Bauxite Company set up in 1946.

26. The ferromanganese furnace is in Diosgyoer, the ferrosilica plant (capacity 5,000 tons) in Zagyvarona.

27. The two plants are in Ajka and in Magyarovar. The third is in Almasfuezitoe.

1954, that is, an increase of 64 percent. That output is nearly twice as great as that of 1938 and is much higher than the wartime peak of 12.7 million tons. Production of bauxite and oil is to be considerably increased but no figures are given. The 2.5 billion forints to be invested in mining will be spent mainly on mechanizing operations.

In metallurgy, the planned increase in gross output is 95 percent above that of 1949. The value of output given for 1954 is 4.7 billion forints which is 2.6 times greater than the 1938 value.

The production of pig iron will be increased from 428,000 tons in 1949 to 960,000 tons in 1954, that of steel from 890,000 tons to 1,600,000 tons. This represents increases of 125 and 91 percent over 1949 and of 187 and 150 percent over 1938.[12]

To achieve the contemplated rise, 4.0 billion forints will be invested in constructing a modern blast furnace of large capacity in addition to the six existing, in the construction of another furnace for the production of ferromanganese, another electric aluminum furnace and a steel mill. Mohacs, a small town on the Danube, not very far from Yugoslavia, will be developed into a large center of heavy industry. The high grade brown coal deposits of Pecs are not very far away and there is some poor iron ore, the working of which was long ago abandoned.

Power

The production of power, 2.2 billion KW hours in 1949, already slightly greater than the wartime peak, is to reach 4.3 billion KW hours in 1954, that is, it will be nearly doubled and will require investments of 3.3 billion forints. The plan provides for the modernization of existing plants, for the construction of 20 new power plants to utilize low grade coal, and also for the construction of a hydroelectric plant (Tiszaloek) and another utilizing natural gas (Lovaszi). The construction of the former will, incidentally, bring to completion a large-scale project for river regulation and irrigation begun but not completed before the war.

12. As Czechoslovakia and Romania inherited most of the iron resources of the Carpathian Basin, the heavy industry of Hungary depended on imports of essential raw materials. Forty-three percent of the iron ore, 20 percent of the pig iron, 81 percent of the coke, 73 percent of the limestone, 52 percent of the scrap iron used had to be imported. Difficulties in the supply of raw materials and costs handicapped the development of heavy industry in the interwar period. Germany, an important source of supply before World War II, was replaced by the Soviet Union.

THE OIL INDUSTRY IN THE HUNGARIAN ECONOMY

While mechanization in agriculture progressed, 211 new tractor stations being set up and 4,500 tractors added to an existing stock of 12,500, the plan fell short of its goal in the agricultural sector, with the exception of livestock which reached the prewar level. Crop production in 1949 reached only 77 percent of prewar, a near disaster.

In mining and metallurgy the plan aimed at 38 percent above the prewar level. It called for an output valued at 1.5 billion forints compared with 1.2 billion in 1938 and an estimated 2.0 billion in 1943/44. In 1949 Hungary produced 11,844,000 tons of coal and lignite, 293,000 tons of iron ore, 428,000 tons of pig iron, 850,000 tons of steel, 561,000 tons of bauxite, 17,000 tons of aluminum, 45,000 tons of manganese ore concentrates, and smaller amounts of copper and lead ores. With the exception of oil and a few other smaller items the plan was reached or surpassed.

The output of power ran about 20 percent ahead of the plan and reached 2.36 billion kilowatt-hours in 1949 compared with 1.4 and 2.1 billion kilowatt-hours in 1938 and 1943 respectively.

The gross output of manufacturing, excluding electricity, was to be more than doubled to a level of 16.5 billion forints in 1949. While it was officially claimed that the plan was overfulfilled by 21 percent, which would put the value of the 1949 manufacturing output (including electricity) at 20.8 billion forints, this claim is definitely too high and should be revised downward, to perhaps 14 billion forints or about 1.2 billion dollars.

With the exception of the leather industry it was claimed that the output of all others exceeded the 1938 level by margins ranging from 12 percent in textiles to 112 percent in engineering in 1949. Nothing was said of the refining industry. A drastic shift to investment materials at the expense of consumer goods is apparent.

Prior to the end of World War II Hungarian industry had used relatively large quantities of fuel oil. Reconstruction and expansion during the plan period suggest

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Sunday morning at home.

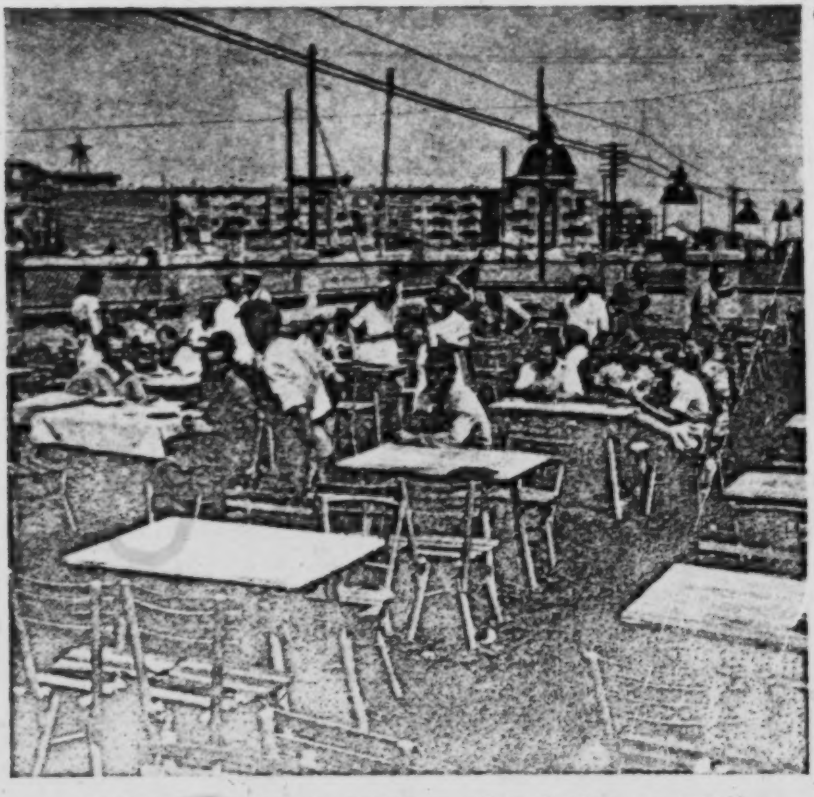
458 gold in expensive restaurants and nightclubs. The mag-
435 nates, the landlords, the fascist army officers, allied to all kinds of traitors of the working class movement, were conspiring and organizing underground to prevent the working people from rebuilding the country for themselves, for their own prosperity.

000 But they could not turn history back. The Hungarian working class was vigilant and strong, determined and untiring. Its fist was quicker and harder! Its persistance and heroic effort was crowned with success. The three year plan of reconstruction was achieved ahead of time (1947-49), and this permitted the launching of a plan on an even larger scale, the plan to build an entirely new Hungary. The Five Year Plan is the pride of the millions of Hungarians.

● [327] Ferenc Gergely, together with thousands of his fellow
461 workers, works on Csepel Island in Budapest, in the largest industrial plant of the country. He is no stakhanovite, not even a decorated worker. Only the best, the most

what else. Of the 400 members of Parliament over 70 are women and so are almost one third of the council members.

Arriving at the terminal Ferenc Gergely takes leave of his friend and goes home. At home a guest is waiting for him: his best friend, his son's godfather, Jozsef Magyar, a mason. Jozsef Magyar works in Stalintown on the construction of the Stalin Iron Works, in the new socialist town which is to be larger than Csepel and will offer thirty to thirty-five thousand workers bread and work, security and a peaceful life.



Outdoor dining area in Stalintown, where lunches are served in the summer.